

Message Text

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ACTION EA-10

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NSAE-00 NSC-05 PA-02 RSC-01 PRS-01 SP-02 SS-15

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E.O. 11652: N/A

TAGS: ECON, EFIN, EIND, KS

SUBJECT: DPM NAM DUCK WOO ADDRESS BEFORE AMCHAM MEETING

1. BEGIN SUMMARY. ADDRESSING SEOUL AMERICAN CHAMBER OF COMMERCE NOVEMBER 2, ROK DEPUTY PRIME MINISTER NAM, DUCK WOO PROFESSED CONFIDENCE THAT KOREA CAN OVERCOME CURRENT ECONOMIC PROBLEMS. HE ALSO EMPHASIZED THAT KOREA IS SEEKING TO IMPROVE INVESTMENT CLIMATE, CITING EFFORTS TO STREAMLINE INVESTMENT PROCEDURES AND REFERRING TO HIS INTENTION TO SEEK SIMPLIFICATION OF LAWS AND REGULATIONS AFFECTING INVESTMENT. END SUMMARY.

2. DEPUTY PRIME MINISTER AND MINISTER OF ECONOMIC PLANNING BOARD (EPB) NAM, DUCK WOO, ADDRESSED MONTHLY MEETING OF AMERICAN CHAMBER OF COMMERCE IN SEOUL NOV. 2, POINTING OUT SOME OF CURRENT PROBLEMS, GENERALLY PROFESSING CONFIDENCE THAT KOREA CAN COPE WITH THEM AND EMPHASIZING THAT KOREA IS SEEKING TO INCREASE FOREIGN INVESTMENT BY IMPROVING INVESTMENT CLIMATE.

3. NAM OPENED REMARKS WITH DISCUSSION OF GREATLY EXPANDED TRADE DEFICIT OWING TO SLOWING EXPORTS IN FACE OF ZERO OR NEGATIVE ECONOMIC GROWTH IN KOREA'S MAJOR MARKETS AND SOARING
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PRICES FOR IMPORTS. HE ESTIMATED PRICE INCREASES HAVE ADDED

\$2 BILLION TO IMPORT BILL. AFTER NETTING OUT OFFSETTING INCREASES IN EXPORT PRICES, HE POINTED OUT THAT IT IS STILL AN ADDITIONAL \$1 BILLION BURDEN FOR ECONOMY. HE PROFESSED CONFIDENCE, HOWEVER, THAT AN ECONOMY LIKE KOREA'S CAN MAKE UP SUCH A LOSS WITHIN SHORT TIME.

4. HE NOTED INTERIM PROBLEM OF SHARING PRESENT BURDEN EQUITABLY AMONG POPULATION, REFERRING TO TAX REDUCTIONS FOR LOW INCOME GROUPS AND SUBSIDIZATION OF FOOD PRICES AS PART OF THIS EFFORT. POINTING OUT THAT KOREA HAS MAINTAINED CONSERVATIVE MONETARY AND FISCAL POLICIES, HE NOTED THAT SOME INFLATIONARY PRESSURES EASING. HE ADDED THAT GOVERNMENT WILL SEEK PROVIDE EMPLOYMENT OPPORTUNITIES AS NECESSARY WHERE UNEMPLOYMENT IS PROBLEM.

5. IN DEALING WITH TRADE DEFICIT, NAM SAID KOREA WILL CONTINUE TO DIVERSIFY EXPORT MARKETS AND SEEK MAINTAIN POLICY OF HIGH EXPORT GROWTH, BUT WILL ALSO ALLOCATE MORE RESOURCES TO AGRICULTURE IN IMPORT SUBSTITUTION EFFORT. HE PROJECTED THAT WITH REASONABLE ASSUMPTIONS AS TO "MARGINAL RATIO OF GROWTH OF IMPORTS" (RATIO OF 1.8 TO RATE OF GROWTH OF GNP), MARGINAL PROPENSITY TO SAVE (27 PCT) AND RATE OF EXPORT GROWTH (20 PCT), KOREA CAN CLOSE CURRENT ACCOUNT DEFICIT IN EARLY 1980'S.

6. AFTER PREDICTING 1974 CURRENT ACCOUNT DEFICIT OF ABOUT \$1.3 BILLION, HE STRESSED THAT KOREA WOULD BE SEEKING MORE LONG TERM CAPITAL TO REPLACE CURRENT HEAVY SHORT-TERM INFLOW. HE CONCLUDED BY SAYING KOREA HOPES TO INCREASE INFLOW OF EQUITY INVESTMENT BY IMPROVING ENVIRONMENT FOR FOREIGN INVESTMENT.

7. IN RESPONDING TO QUESTIONS FROM FLOOR, NAM CITED STEPS HE IS TRYING TO TAKE IN EPB TO STREAMLINE INVESTMENT APPROVAL PROCEDURES AS EXAMPLE OF EFFORT TO IMPROVE INVESTMENT CLIMATE. HE DENIED RUMORS THAT KOREA IS PLANNING WITHDRAW TAX HOLIDAYS FOR FOREIGN INVESTORS. HE ADMITTED THERE HAVE BEEN PROPOSALS TO GIVE DOMESTIC INVESTORS SAME CONCESSIONS OR BASE CONCESSIONS ON TYPE OF INVESTMENT RATHER THAN NATIONALITY OF INVESTOR. HOWEVER, HE STRESSED THESE WERE ONLY IDEAS, HAVE NEVER BEEN OFFICIALLY DISCUSSED AND, IN ANY EVENT, WOULD UNCLASSIFIED

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NOT AFFECT EXISTING INVESTMENT.

8. ASKED IF ROKG CONSIDERING ANY FURTHER MODIFICATIONS OR SPECIAL EXCEPTIONS TO EASE IMPACT OF CHANGES IN TARIFF EXEMPTION SYSTEM INTRODUCED LAST JANUARY, HE REPLIED HE KNEW OF NONE, BUT ADDED THAT HE PERSONALLY FAVORED SIMPLIFYING MANY OF THESE LAWS AND REGULATIONS, MAKING THEM MORE GENERAL IN APPLICATION, AND REDUCING NUMBER OF SPECIAL CASES AND EXCEPTIONS.

9. QUERIED ABOUT RECENT BANK OF KOREA DIRECTIVE FORCING EXPORTERS TO CONVERT "EXPORTERS' DOLLAR ACCOUNTS" TO WON DEPOSITS, HE SAID THIS WAS DONE TO DISCOURAGE SPECULATION IN FOREIGN CURRENCY AND WAS ONLY A TEMPORARY MEASURE. HE ALSO ISSUED FLAT DENIAL OF ANY PRESENT INTENTION BY ROKG TO DEVALUE WON.

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